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Title industry victimized by identity theft schemes designed to confuse buyers, sellers and lenders

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Identity theft is not limited to individuals. In recent months, the title industry has been victimized by identity theft schemes designed to confuse buyers, sellers and lenders into thinking they are dealing with your title company. The scam is this: A scammer will set up a corporation utilizing a name similar to that of a licensed title insurance agent. The imposter will use a new corporate name very similar to the licensee, although he will add a term such as "services," "group" or "corporation" to the name to distinguish it enough to allow for incorporation with the relevant secretary of state corporations division. Once the imposter's corporation is registered with the state, he is able to obtain a federal tax identification number and open his own bank accounts. These entities do not have fixed office locations and commonly use cell phones as their office phone. The imposter will create documents purporting to be title insurance commitments using commercially available software and provide lenders with fraudulently created insured closing letters.

The existence of these schemes is discovered through title insurance claims made by defrauded lenders as well as reports from legitimate agents who have discovered imposter agents. An agent's efforts are crucial to maintaining the integrity of an agency's corporate identity. There are several things an agency can do.

First and foremost, be aware of communications received from buyers, sellers, vendors, lenders, brokers or any other parties relating to a closing that you have not been asked to handle. Such communications may seem innocuous since many times a closing simply has not yet been referred to you, or your office was the proposed recipient of the closing and the file has been moved to another closing agency. But such calls represent the primary method of catching this type of identity theft. What happens is a party to the imposter's closing will try to contact the imposter but find your contact information in a phone book or in a vendor's or lender's database, and call you relating to the imposter's closing. You should train your staff to be cognizant of this specific type of phone call and if one is received, you should gather as much information from the person as possible relating to the imposter agency. It is imperative that the parties are made aware your office is not handling the closing.

Another red flag to be aware of is a notice from your bank. There have been several situations where there was miscommunication between the lenders and parties as to whether to use the imposter's escrow account or whether to use the real agent's escrow account. The use of strict guidelines as to who is authorized to sign checks and make withdrawals and constant vigilance with respect to the transactions occurring in your escrow account are always the best preventative measures to take to avoid potential losses occurring as a result of instances of agency identity theft. Finally, regular review of records maintained by the secretary of state relating to your corporate name may be appropriate. As noted above, imposters use very similar names to those of legitimate

licensees and may even use your actual address.

Of course, this list of red flags is not exhaustive. Because this scheme is relatively new, different types of schemes will arise as other fraudsters join in.

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